



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2009 Biennium

Bill #	HB0704	Title:	Revise prevailing wage laws
Primary Sponsor:	Keane, Jim	Status:	As Introduced

- | | | |
|---|--|--|
| <input type="checkbox"/> Significant Local Gov Impact | <input checked="" type="checkbox"/> Needs to be included in HB 2 | <input type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	<u>FY 2008</u> <u>Difference</u>	<u>FY 2009</u> <u>Difference</u>	<u>FY 2010</u> <u>Difference</u>	<u>FY 2011</u> <u>Difference</u>
Expenditures:				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$290,766	\$296,003	\$304,906	\$314,084
Revenue:				
General Fund	(\$2,000)	(\$2,000)	(\$2,000)	(\$2,000)
State Special Revenue	\$10,000	\$10,000	\$8,000	\$8,000
Net Impact-General Fund Balance	<u>(\$2,000)</u>	<u>(\$2,000)</u>	<u>(\$2,000)</u>	<u>(\$2,000)</u>

Description of Fiscal Impact:

HB 704 requires the Employment Relations Division (ERD) of the Department of Labor and Industry to more aggressively enforce the prevailing wage laws. HB 704 will have a slight fiscal impact on the Montana Department of Transportation. Impact will come from higher wage rates being built into contracts paid out on MDT construction, maintenance, and non-construction contracts.

FISCAL ANALYSIS

Assumptions:

Department of Labor and Industry – Employment Relations Division (ERD)

1. The general fund has received an average of \$2,000 per year in prevailing wage penalties over the past six years. This revenue will now go to a state special revenue fund.
2. The ERD will hire 2.00 FTE compliance specialists who would begin employment in July, 2007.
3. It is assumed the base salary of each employee and other costs will increase 2.5% each year.
4. These FTE will be stationed outside of Helena, incurring rent and average travel costs.
5. The other related operating costs are the average for ERD.
6. The new staff will provide proactive enforcement of the prevailing wage statutes, thus decreasing the occurrence of penalties over time. Funding would not be sufficient in the fund to support the program.

Department of Transportation (DOT)

7. Generally, wage rate inflation in Montana is 3.5% annually.
8. Using wage rate inflation calculations from 2006 to 2007, MDT anticipates an annual cost of \$145,250 with 3.5% inflation.
9. The impact on DOT from HB 704 is primarily in the areas of state funded building construction and rest area maintenance service contracts. Cost estimates for contractor wage payments within those program areas are:

SF Building Construction	\$ 2,500,000.00 (wages cost)
Rest Area Maintenance	1,000,000.00
Procurement Non-Construction	650,000.00
Non-adjusted cost	4,150,000.00
Wage Inflation Rate of 3.5%	
Total adjusted cost	\$4,295,250.00

	<u>FY 2008</u> <u>Difference</u>	<u>FY 2009</u> <u>Difference</u>	<u>FY 2010</u> <u>Difference</u>	<u>FY 2011</u> <u>Difference</u>
<u>Fiscal Impact:</u>				
Department of Labor and Industry				
FTE	2.00	2.00	2.00	2.00

<u>Expenditures:</u>				
Personal Services	\$97,497	\$100,513	\$103,026	\$105,601
Operating Expenses	\$48,019	\$45,156	\$46,285	\$47,442
TOTAL Expenditures	\$145,516	\$145,669	\$149,311	\$153,043

<u>Funding of Expenditures:</u>				
State Special Revenue (02)	\$145,516	\$145,669	\$149,311	\$153,043

Department of Transportation

<u>Expenditures:</u>				
Operating Expenses	\$145,250	\$150,334	\$155,595	\$161,041

<u>Funding of Expenditures:</u>				
State Special Revenue (02)	\$145,250	\$150,334	\$155,595	\$161,041

<u>Revenues:</u>				
General Fund (01)	(\$2,000)	(\$2,000)	(\$2,000)	(\$2,000)
State Special Revenue (02)	\$10,000	\$10,000	\$8,000	\$8,000
TOTAL Revenues	\$8,000	\$8,000	\$6,000	\$6,000

Net Impact to Fund Balance (Revenue minus Funding of Expenditures):

General Fund (01)	(\$2,000)	(\$2,000)	(\$2,000)	(\$2,000)
State Special Revenue (02)	(\$280,766)	(\$286,003)	(\$296,906)	(\$306,084)

*Sponsor's Initials*_____
*Date*_____
*Budget Director's Initials*_____
Date